


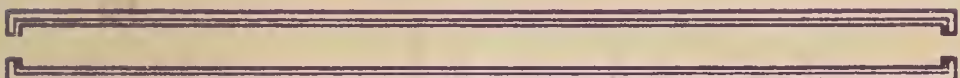
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You Should Know About Credit Unions



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Massachusetts Credit Union Association

You Should Know About Credit Unions



A MANUAL

PUBLISHED BY THE
MASSACHUSETTS CREDIT UNION ASSOCIATION

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1917

OFFICERS
OF THE
MASSACHUSETTS CREDIT UNION
ASSOCIATION

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Table of Contents

(Credit Union Manual)

	PAGE
WHY CREDIT UNIONS ARE NEEDED.	9
When a man needs money	9
Buying at Cash	10
The Loan Shark	10
Encouraging Savings	11
Small, Safe Investments	12
THE NEED OF CREDIT	13
THE PEOPLES BANK	14
The People are the Stockholders	14
The Control is Thoroughly Democratic	14
Its purpose is Co-operation and Self Help	15
A Business Education	15
THE CREDIT UNION OPERATIONS	16
A little Savings Bank	16
Share Investments	16
Loans	17
Meets Needs of Borrowers and Investors	18
The Wheat from the Chaff	18
CREDIT UNIONS HELP BANS	19
Not a Competitor to Trust Com- panies, Savings or Co-Operative Banks	19
THE CREDIT UNION AND THRIFT	21
CREDIT AND CHARACTER	22

LEGISLATIVE AUTHORITY	24
THE MASSACHUSETTS BANKING SYSTEM	25
HOW TO START A CREDIT UNION	26
The Organization is simple	26
The Expense is insignificant	26
The Massachusetts Credit Union Assoc. will attend to details	27
HOW TO OPERATE A CREDIT UNION	28
Location of the office	28
Duties of the officers	28
Serving the members	28
HISTORY OF THE CREDIT UNION	29
Early origins	29
Development Abroad	29
Introduction into the United States	30
GROWTH OF CREDIT UNIONS IN MASSA- CHUSETTS	31
Number and Membership	31
Assets	32
Business done	32
Growth during 1915-1916	32
START A CREDIT UNION	34
In your town or city	34
In your store or factory	34
In your church or society	35
In your labor or trade organization	36
In your lodge or club	36
CLASSIFIED LIST OF CREDIT UNIONS	37
THE CREDIT UNION LAW.	41
CHARTER OF MASS. CREDIT UNION ASSOCIATION ,	53

WHY CREDIT UNIONS ARE NEEDED

The Legislature of Massachusetts authorized the incorporation of Credit Unions to meet existing needs. Those needs are greater today than ever before. **The Legislature has done its part, it is now up to you to do yours.**

When a Man Needs Money

The operations of the "Loan Sharks," the big work of the remedial loan associations and the charity societies are all eloquent proof of the vital and extensive **need of small loans by honest men.** You undoubtedly know of cases where honest and good men are "up against ^{it} it." You also know that such men conceal their difficulties as long as possible, for pride does not relish acknowledgment of defeat.

What can these men do? Most of them do one of three things — they "touch" a friend for help, or they apply to some charitable or philanthropic organization, or, forced by pride, they prefer to go to the "loan shark." In the first two cases they pauperize themselves; in the last they sell their economic independence for weeks or months, and frequently pay two dollars for one received.

WHY CREDIT UNIONS ARE NEEDED

And all for a small sum — fifty or a hundred or two hundred dollars!

Not so urgent but quite as important is the time that comes in the affairs of many men when, if they had a few dollars, they could materially better their condition. Such times must be “seized at the flood” or the tide ebbs never to return. Eventually, the man of means profits and the other fellow, for lack of a few dollars, continues in the well-trodden path and complains of his hard luck.

Buying at Cash

“Your credit is good at the Soak-em Storej” “Money if you have it — credit if you want it!” Many an illegitimate installment house attracts the wage earner by such advertisements. The method offered may be unsatisfactory and costly — but if he has no money the wage earner is forced to utilize it.

The Credit Union will meet this need. It will enable the honest man to get cash and buy his necessities most economically. He can take advantage of sales; he can get cash discounts; he can buy in quantity.

The Loan Shark”

Let's call him “Tom.” Three years ago he borrowed \$25.00 from a loan shark. He

WHY CREDIT UNIONS ARE NEEDED

has paid \$101.25 and still owes \$23.00 on the principal and \$9.83 interest. Tom's case is representative of hundreds.

There are fifty-six small loan agencies in Boston and forty-four in other cities of Massachusetts. These agencies can charge three per cent per month. They are doing an enormous business and — take note of this — so long as there are no better means of providing small loans they will continue to prey upon the poor man. There are many sound reasons for the existence and growth of the Credit Union, but even if there was only this evil of the loan shark to consider, that would be enough in itself to justify the development of the Credit Union as a beneficent institution.

Encouraging Savings

The credit union also receives deposits like a savings bank. It is an ever present inducement to "save a dollar" — and that in an institution of which the depositor is a member. It is located at the employee's elbow, in the store or factory where he works or at the corner near his home. It is where he can get at it with least inconvenience and loss of time. No need to go to the savings bank and wait in line and lose half an hour

WHY CREDIT UNIONS ARE NEEDED

from work. Furthermore, the man who receives 25 or 50 cents at the Credit Union is a friend, and the depositor does not hesitate to deposit even a few pennies.

A few pennies a week and the dollars accumulate. The value and the habit of thrift are taught, not theoretically, but from actual experience.

Small, Safe Investments

“How can I invest a few dollars safely?” How often that question is asked, and how frequently answered falsely! The glowing advertisement of the “Wildcat Mining Co.,” draws the poor man’s savings and he never sees them again.

The credit union answers the question. It not only offers its members a profitable and safe investment, but it teaches them the value of investments. **He learns to make his money work for him.**

The credit union is state authorized and supervised — it is safe.



THE NEED OF CREDIT

Nearly every man has times when he needs and ought to be granted credit. Unexpected emergencies or needs that could not be provided for bring the wage earner and small salaried man face to face with the need of money.

Sickness, improvements in business or position, family needs, debts — so many debts — the opportunity of purchasing at lower prices; these are a few of the many legitimate causes for credit.



THE PEOPLES BANK

The name "Credit Union" is unfortunate for it does not convey a correct idea of the purpose of the institution. In many countries they are called "Peoples Banks" and that is exactly what they are.

The People are The Stockholders

Every borrower and every depositor must be a shareholder. The ownership of one share of stock is requisite to membership. All who deal with the Credit Union have, therefore, the interest of the organization at heart for it is **"their bank."**

The Control is Thoroughly Democratic

Each member has but one vote irrespective of the number of shares owned. Voting by proxy is prohibited. Control cannot be centralized in one person or a small group. It is an institution made up of the people, controlled by the people and run for the people — truly a **"peoples bank."**

THE PEOPLES BANK

Its Purpose is Co-operation and Self-Help

The Credit Union is a co-operative form of banking. It pools the capital of its members for their mutual benefit. It enables its members to help themselves.

A Business Education

The Credit Union is democratic in its control. Each member has equal vote. The bigger policies are determined by the members who also elect the officers. The director's meeting brings out the principles of banking — interest, dividends, membership, loans, etc. It is the school of experience, guided by the law and supervised by the State officials. Credit, thrift and investment — how, why and when? The simple but effective methods of bookkeeping guide and record their transactions. There is no attempt to deal in matters of high finance, nor in complicated problems of banking — but the fundamentals of banking are faced and mastered. The wage-earner, the clerk, the man of hard common sense but little schooling come to appreciate the meaning and operations of our financial system.

THE CREDIT UNION OPERATIONS

The Credit Union preforms three principal functions — it receives deposits, sells shares and makes loans.

A Little Savings Bank

The Credit Union receives deposits like a savings bank. Small sums as low as 5 cents or 10 cents or 25 cents may be deposited. Its pass book records the savings of its members. On deposits interest is paid, — the average of the Credit Unions last year being approximately $4\frac{3}{4}$ per cent.

Share Investments

The Credit Union sells shares to its members. These shares are \$5.00 or \$10.00 par value and are easily within the reach of the small investor, Furthermore, they may be purchased on installments of 25 cents or more a week or month. Not only are these safe, attractive investments, but they present an incentive to save by investing in them.

On his shares the credit union member receives dividends. The average dividend paid by the credit unions of Massachusetts last year was $6\frac{1}{4}$ per cent — a profitable investment.

THE CREDIT UNION OPERATIONS

Thus the wage earner becomes an investor — an owner of securities — a small capitalist. His money works for him. He comes to appreciate better the value of capital in the world's work.

Loans

The Credit Union makes loans to its members for provident purposes. In doing this it abolishes the need for the professional money lenders. It enables its members to get legitimate, self-respecting and proper credit. It aims to capitalize character.

Credit Union loans may be of any size. The majority of them are from \$25 or \$50 to \$100 or \$200. They are repaid in small weekly or monthly installments. Both larger and smaller loans are made, however, depending on the needs of the borrowers and the facilities and policies of the credit union. The Board of Directors of each credit union fixes the rates of interest charged on loans. The legal maximum is 12 per cent and many credit unions charge considerably less.

The rates are low because the losses are insignificant, the overhead expenses extremely low and the borrowers, being members, are able to protect their interests. Furthermore, all borrowers as shareholders receive their proportion of the dividends

THE CREDIT UNION OPERATIONS

earned from interest paid by them as borrowers, which reduces the net amount of interest they pay on the money borrowed.

Meets Needs of Borrowers and Investors

The purpose of the Credit Union is to meet and balance the needs of borrowers and investors to their mutual advantage. All borrowers are members and an average of one-fourth of the members are borrowers all the time. It is safe to say that a majority of the members are borrowers at some time.

This is fundamental in the Credit Union idea — its operations are not dominated by those who are using it as an investment. Its policies are shaped by both — borrowers and investors, who are often the same persons — and are intended, therefore, to meet their common needs most advantageously.

The Wheat from the Chaff

Ask the money lender! He will admit big profits made on Peter and John. But he says "I lost on William and Samuel, they are dead beats." Admit it, why should Peter and John pay for the rascality of William and Samuel?

The credit union sifts the wheat from the chaff. The thrifty and honest are known and trusted — the shiftless and dishonest are thrown out, forced to work and educated in the ideals of thrift and honor.

CREDIT UNIONS HELP BANKS

The Credit Union not a Competitor with Savings Banks, Trust Companies or Co-operative Banks

The Credit Union is growing because a need exists which the older banking institutions do not and cannot meet. It is a feeder rather than a competitor to them.

The savings bank, for example, reaches a certain clientage which it is trying to increase. It is a problem of education, for people must be taught to save. The Credit Union is the school. It is conveniently located at the corner, or in the store or church or factory, and secures the small deposits of its members. Thus the members are taught the value of saving, and as their financial operations increase, they become patrons of the savings bank which, with its larger operations and resources, can offer them more adequate accommodations.

Take the co-operative bank as a further example. In theory the credit union performs some of the functions of the co-operative bank, but in fact the loans made by credit unions in places where co-operative banks are operating, which could be handled by the latter, are insignificant. The co-operative bank cannot offer the facilities

CREDIT UNIONS HELP BANKS

for small savings of the credit union; nor can it make loans for the hundred and one purposes that the credit union can take care of. And when the time comes that the credit union member wishes to buy a home he has saved something and, most important of all, he has learned to appreciate the service that the co-operative bank can render him. Every co-operative bank ought to have a credit union operating among its members.

As to Trust Companies, State and National Banks, there cannot be any competition. But for the possible patrons of these banks also, the credit union is a school.

In towns where there are none of the older banks, the credit union will serve a most useful purpose — and it will pave the way for the later establishment of a savings bank, co-operative bank, etc.

THE CREDIT UNION AND THRIFT

The credit union is the greatest thrift promoter in the world. It teaches people to save; it gets them in the habit of saving.

The member who borrows pays back his loan in small installments. He finds — frequently to his own surprise — that he can save and after the loan is repaid he continues to place his savings in the Union.

The deposit department is always open and so convenient that it is a constant incentive to save a few pennies. The shares offer attractive investments within the reach of every member.

Thus the operations of the credit union promote saving. They make it easy to save and offer effective incentives to save. During the fiscal year ending October 31, 1916, the shares in Massachusetts Credit Unions increased in amount 73 per cent and the deposits 128 per cent. On that date the 11,418 members of Credit Unions had an average of \$29 in deposits and \$38 in shares, a total of \$67 savings for each member. This record is most remarkable.

CREDIT AND CHARACTER

Credit is the life of modern business. It is popularly supposed to be based on security of a negotiable nature, but actually the character of the borrower enters quite as much into most credit transactions as mortgages, pledges and other securities. The late J. Pierpont Morgan stated publicly that the first requirement in granting a loan of a million dollars would be the character of the borrower. The lawyer and the doctor and the small merchant who come in contact with the masses of the people will confirm Mr. Morgan's statement, though the credits granted be for \$10 or \$100 only.

Character is vital. Within the limits of his ability, the wage earner is just as safe a risk as the big merchant. That the loan agencies make money is eloquent proof of this statement.

Yet the established banking systems have no means of adequately capitalizing character. Without the bank rating and negotiable security, one cannot obtain credit.

The credit union capitalizes character. It says to the borrower "We will trust you in so far as possible, on your character rating." To those familiar only with the older banking institutions of America, this may sound fantastical. It is not. It is

CREDIT AND CHARACTER

fundamental in the operations of some 65,000 institutions, with 15,000,000 members doing an annual business of seven billions of dollars and operating in nearly every civilized country. And the percentage of loss of these "Peoples Banks" is less than that of any other banking system.

LEGISLATIVE AUTHORIZATION

If you were to receive a formal notification from the Legislature of our Commonwealth saying:

"Sir, a law has just been passed of special benefit to you," what would you say? Surely your reply would be, "Good, tell me about it."

The Legislature has passed such a law in providing for the incorporation of credit unions and it has authorized this Association to "tell you about it." These statements can be proven by turning to the statutes of Massachusetts.

Credit Unions are organized under general act of the Legislature, chartered by the State Board of Bank Incorporation and supervised and inspected by the Bank Commissioner. Before the law they stand on the same footing as savings banks, trust companies or co-operative Banks. As has been said, the Legislature authorized Credit Unions to meet a need, not to compete with the other banks but to supplement them. *(See page 41 for law on Credit Unions).

THE MASSACHUSETTS BANKING SYSTEM

The Credit Union is the latest system of banking to be authorized in Massachusetts. It popularizes banking. It enables the wage earner to be in effect, his own banker. It supplements the facilities offered by the older institutions.

The Credit Union is safe. The Legislature has provided for its transactions, and the chance of loss or defalcation is reduced to a minimum. There is also the state supervision and inspection. The treasurer is, of course, bonded. His operations are, of necessity, open and known. A very small surplus is carried.

The Credit Union brings the money out of the stocking and the secret place. It puts it in circulation and sets it to work. It provides a means of effectively utilizing the savings of the people.

HOW TO START A CREDIT UNION

The Organization is Simple

Eleven persons can organize a credit union. The details of organization are prescribed by law and are not difficult.

The Expense is Insignificant

The expense of organization is not heavy. The charter costs \$5.00, the public advertisements cost, depending upon the local advertising rates, \$5 to \$8, the bond of the Treasurer is \$5.00 and the supplies for one year total about \$25. Office rent is generally obtained gratis but both office rent and clerical assistance should be very low. The law requires that the Directors, and Credit and Supervisory Committees serve without pay. It is interesting to note that the expense account of the Credit Unions last year totaled only \$8,092.99, a decrease of 43 per cent over the year preceding. This was an average expense for the year of \$153 per Credit Union. On this expense they did a business of \$1,267,092.84.

HOW TO START A CREDIT UNION

The Massachusetts Credit Union Association Will Attend to the Details

The Massachusetts Credit Union Association offers its services free of charge. It will attend to the details of organization, the necessary legal work, etc. as it has done in dozens of cases.

HOW TO OPERATE A CREDIT UNION

Location of the Office

The office of the Credit Union should be conveniently located. It is frequently in the home of one of its members; in the section of the city near the homes of its members, or in the lodge or church, store or factory in which it operates. The important feature is that it shall be accessible. It should also be open at such hours as are most convenient for its members.

Duties of the Officers

The operations of a credit union are in the hands of its Board of Directors and its credit and supervisory committees. The directors elect from their number the president, vice-president, treasurer and clerk. Their duties are indicated by their offices. The Credit Committee passes upon all loans. The Supervisory Committee is an auditing committee with general supervisory powers.

Serving the Members

The Credit Union is an organization of persons and not of shares. Its members direct and benefit from its operations. They naturally make such regulations as will best serve their needs.

HISTORY OF THE CREDIT UNION

Early Origins

Co-operative banking has been recognized for centuries. The successful modern forms, of which the Credit Union is an illustration, date from the organization of the Schulze-Delitzsch and Raiffensen banks of Germany in the middle of the last century.

Development Abroad

These co-operative credit associations, soon after their origin in Germany, spread rapidly throughout continental Europe, and later to Egypt, India, Canada and other British colonies. There are today over 65,000 such associations with 15,000,000 members doing an annual business of \$7,000,000,000.

A close and thorough student of these "Peoples Banks" in Europe has said:

"It has regenerated and accelerated agriculture, commerce and industry. It has stamped out usury and raised millions of human souls from the depths of despair to lives of hopefulness and service. It has supplanted shiftlessness by industry; improvidence by thrift;

HISTORY OF THE CREDIT UNION

individual effort by concerted action — in fact has proved to be one of the most potent moral, educational and social forces in the history of civilization and in the enrichment of the life of the common people.”

Introduction Into The United States

It was not until 1909 that the Legislature of Massachusetts, the first legislative body in the United States to recognize this powerful and thrift-educating form of banking, authorized their incorporation under the name of Credit Unions. Since that date New York, North Carolina, Rhode Island, Texas, California, New Hampshire and Wisconsin have taken official action with regard to these little “Peoples Banks.”

GROWTH OF CREDIT UNIONS IN MASSACHUSETTS

Massachusetts has, however, continued to lead in the credit union movement. In number of organizations, in membership and in business done the Credit Unions of Massachusetts are ahead of those of any other state.

The figures presented in this manual regarding the Credit Unions of Massachusetts are taken from the 1916 report of the Bank Commissioner and are as of October 31, 1916. Since that date there has been a large increase in the operations of credit unions but there are no later official figures available.

Number and Membership

The first Credit Union was chartered in 1910. On October 31, 1916, there were 53, on July 1, 1917, there were 61. The growth in membership has been rapid but healthy.

October 31, 1910	.	.	.	.	.	105	members
" 31, 1911	.	.	.	.	.	1,623	"
" 31, 1912	.	.	.	.	.	2,862	"
" 31, 1913	.	.	.	.	.	4,577	"
" 31, 1914	.	.	.	.	.	6,149	"
" 31, 1915	.	.	.	.	.	7,846	"
" 31, 1916	.	.	.	.	.	11,622	"

GROWTH IN MASSACHUSETTS

Assets

Convincing evidence of the stability of credit unions is the growth of their assets.

October 31, 1910	.	.	.	.	.	.	\$2,448.50
" 31, 1911	.	.	.	.	.	.	26,983.11
" 31, 1912	.	.	.	.	.	.	94,080.46
" 31, 1913	.	.	.	.	.	.	184,808.61
" 31, 1914	.	.	.	.	.	.	279,358.33
" 31, 1915	.	.	.	.	.	.	431,599.48
" 31, 1916	.	.	.	.	.	.	816,553.07

Business Done

Year ending October 31, 1910	.	.	.	\$5,923.45
" " " 31, 1911	.	.	.	43,121.71
" " " 31, 1912	.	.	.	187,606.67
" " " 31, 1913	.	.	.	417,980.07
" " " 31, 1914	.	.	.	591,059.21
" " " 31, 1915	.	.	.	726,567.53
" " " 31, 1916	.	.	.	1,263,502.04

Growth During 1915 — 1916.

The following table gives the growth of the credit unions of Massachusetts during the fiscal year ending October 31, 1916, and a

GROWTH IN MASSACHUSETTS

comparison of that year with the preceding fiscal year.

	1916	Per Cent of 1915 Increase	
No. of Unions . . .	53	47	11
No. of Borrowers . . .	3,623	2,837	25
No. of Members . . .	11,418	7,846	45
Loans	\$652,385.78	\$362,430.36	80
Cash	124,310.92	49,103.42	153
Expense Account† . . .	8,092.99	13,572.82	43
Investments	30,349.53	5,032.86	503
Shares	436,164.36	252,218.00	73
Deposits	328,102.61	142,592.41	128
Guarantee Fund	15,394.90	7,768.33	98
Earnings	25,596.08	17,974.36	42
Gross Assets	816,443.08	431,599.48	89
Total Receipts	1,267,092.84	726,567.53	74
† Decrease.			

START A CREDIT UNION

In Your Town or City

Every town should have a Credit Union and every city should have several to meet the needs of its residents. **You** can interest your friends. A little of your time will help hundreds of your fellow citizens to help themselves. This is better than charity.

Examples of successful town or city Credit Unions are those at Beverly, Lawrence, Revere, Mansfield, etc. (See classified lists of Credit Union Page 40).

In Your Store or Factory

An employer with fifty or more employees has a field for a successful credit union. It is almost an ideal field. The employees know each other and have common interests that insure the safe and successful operations of their Credit Union.

Furthermore, there is no form of welfare work that is more effective than the credit union. The employees are helping themselves. Nothing causes contentment like freedom from financial worries. The thrifty employee is the best employee; the employee that is in debt is not so efficient. Many employers are granting their Credit Unions office room without charge.

START A CREDIT UNION

Examples of successful store and factory credit unions are those operating among the employees of the Gilchrist Company, the Leopold Morse Company, the Dennison Manufacturing Company, the Waltham Watch Company, the New England Telephone & Telegraph Company, etc. (See classified list of Credit Unions Pages 38 and 39).

In Your Church, Lodge or Society

The church and lodge are natural units excellently adapted to the credit union. There are common interests and the members are acquainted. Such an institution operating exclusively in a church or society can be of inestimable benefit to its members and enable them to reach out and serve material needs in a businesslike manner.

Examples of successful credit unions operating among the members of churches and societies are La Caisse Populaire Credit Union of Worcester, the Augustov Credit Union of Boston, the Brockton Credit Union, etc. (See classified list of Credit Unions Pages 37 and 38).

START A CREDIT UNION

In Your Labor or Trade Organization

Each labor or trade group should have its credit union. It will keep the members out of the hands of the "loan sharks," it will teach them the elements of banking, it will develop thrift. The office, trained officers and the field of operations are all provided for by the labor union. Utilize them for the material help of your members by organizing a credit union.

Examples of successful credit unions operating within labor or trade groups are the Worcester Central Labor Credit Union, the State Street Credit Union, etc. (See classified list of Credit Unions Page 39.)

Among the People of Your Race

Give all of the people of your race credit union accommodations. The common interests and the other essentials are all provided for. Help them to make more rapid progress in the country of their adoption. Some of the most successful credit unions of Massachusetts are operating among racial groups. The following are a few of many such credit unions: The Workers' Credit Union (Finnish), the Skandia Credit Union (Scandinavian), St. Jean Baptiste Parish Credit Union (French Canadian), New England Credit Union (Jewish), etc. (See classified list of Credit Unions Page 39.)

CREDIT UNIONS IN MASSACHUSETTS SHOWING THEIR DIVISIONS INTO RACIAL, INDUSTRIAL AND OTHER GROUPS.

RACIAL.

Italian

Antica Eclano Credit Unon . . . Boston, Mass.

Scandinavian

Skandia Credit Union. . . Worcester, Mass.

Finnish

Workers' Credit Union . . . Fitchburg, Mass.

French Canadian

Jeanne D'Arc Credit Union . . . Lowell, Mass.

La Caisse Populaire de Notre Dame des Canadiens or
Credit Union . . . Worcester, Mass.

Notre Dame de Lourdes Credit Union Lowell, Mass

Notre Dame du Perpetuel Secours Credit Union
Holyoke, Mass.

Sacred Heart Credit Union . New Bedford, Mass.

St. Anne Credit Union . . . New Bedford, Mass.

St. Jean Baptiste Parish Credit Union . Lynn, Mass.

St. Joseph's Credit Union . . . Waltham, Mass.

St. Mary's Parish Credit Union Marlborough, Mass.

CREDIT UNIONS IN MASS.

Jewish

Beverly Investment Credit Union	Beverly, Mass.
East Boston Credit Union	East Boston, Mass.
Hampden Credit Union	Roxbury, Mass.
Lord Beaconsfield Credit Union	East Boston, Mass.
New England Credit Union	Worcester, Mass.
North End Union Credit Union	Boston, Mass.
Roxbury Credit Union	Roxbury, Mass.
Salem Workingmen's Credit Union	Salem, Mass.
Suffolk Credit Union	East Boston, Mass.
West End Credit Union	Boston, Mass.
Worcester Credit Union	Worcester, Mass.
Progressive Credit Union	Worcester, Mass.

AGRICULTURAL

Jewish Farmers' Co-operative Credit Union of Bristol County	Attleboro, Mass.
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SOCIETIES

Augustov Credit Union	Boston, Mass.
Brockton Credit Union	Brockton, Mass.
United Tailors Association Credit Union	Boston, Mass.
Zion Credit Union	Worcester, Mass.

STORES, FACTORIES, ETC.

Stores

Asco Credit Union, Employees A. Shuman Co.	Boston, Mass.
Elmco Credit Union, Employees Leopold Morse Co.,	Boston, Mass.
Gilco Credit Union, Employees Gilchrist Co.,	Boston, Mass.
Shepard Norwell Credit Union, Employees Shepard Norwell Co.	Boston, Mass.

CREDIT UNIONS IN MASS.

Public Service Corporations.

Boston & Maine R. R. Employees Credit Union, B. &
M. R. R. employees Boston, Mass.
Telephone Workers Credit Union, New England Tel.
& Tel. Co. Boston, Mass.

Factories

D. M. C. Credit Union, Dennison Mfg. Co. Employees,
Framingham, Mass.
Neponset Credit Union, Bird & Son,
East Walpole, Mass.
Waltham Watch Credit Union, Waltham Watch Fact-
ory Waltham, Mass.
Whitson Credit Union, D. Whiting & Son,
Charlestown, Mass.

Banks

Cosmopolitan Credit Union, Cosmopolitan Trust Co.,
Boston, Mass.

Labor Organizations

Labor Circle Credit Union, Local Lodge Labor Circle,
Lynn, Mass.
State Street Credit Union, Gryzmish & Son,
Boston, Mass.
Worcester Central Labor Credit Union
Worcester, Mass.

Government and City Employees

City of Boston Employees Credit Union
Boston, Mass.
City of Quincy Employees Credit Union,
Quincy, Mass.
Navy Employees Credit Union Charlestown, Mass.

CREDIT UNIONS IN MASS.

Towns and Cities

Beverly Credit Union . . .	Beverly, Mass.
Dorchester Credit Union . . .	Dorchester, Mass.
Greater Boston Credit Union . .	Boston, Mass.
Industrial Credit Union	Boston, Mass.
Lawrence Credit Union	Lawrence, Mass.
Mansfield Credit Union	Mansfield, Mass.
Progressive Workmen's Credit Union	Malden, Mass.
Revere Credit Union	Revere, Mass.
Shawmut Credit Union	Boston, Mass.
Traders' Credit Union	Boston, Mass.
Winthrop Credit Union	Winthrop, Mass.

ALL CREDIT UNIONS ARE NOW SUBJECT
TO THE PROVISIONS OF THIS ACT, PRE-
VIOUS LEGISLATION RELATING THERETO
HAVING BEEN REPEALED.

(General Act)

(CHAP. 268)

AN ACT RELATIVE TO THE INCORPORATION AND MAN-
AGEMENT OF CREDIT UNIONS.

Be it enacted, etc., as follows:

SECTION 1. A corporation organized under this act shall include in the corporate name the two words "credit union," to which may be added the word "bank." Other distinguishing words may be used. The words "credit union," whenever hereinafter used, shall apply to a corporation heretofore organized under the provisions of chapter four hundred and nineteen of the acts of the year nineteen hundred and nine, or hereafter organized under the provisions of this act.

SECTION 2. Seven or more persons, resident in this commonwealth, who have associated themselves by an agreement in writing with the intention of forming a corporation for the purpose of accumulating and investing the savings of its members and making loans to members for provident purposes, may, with the consent of the board of bank incorporation, become a corporation upon complying with all of the provisions of section three of this act. The board of bank incorporation is hereby authorized to grant such consent when it is satisfied that the proposed field of operation is favorable to the success of such corporation, and that the standing of the proposed incorporators is such as to give assurance that its affairs will be administered in accordance with the spirit of this act.

GENERAL ACT

SECTION 3. Credit unions shall be organized under the provisions, so far as applicable, of sections two to six, inclusive, of chapter three hundred and seventy-four of the acts of the year nineteen hundred and four, as amended by section four of chapter two hundred and four of the acts of the year nineteen hundred and six and any other amendments thereof, except that the fee for filing and recording the articles of organization, including the issuing by the secretary of the commonwealth of the certificate of incorporation, shall be five dollars.

The provisions relating to supervision by the bank commissioner, so far as applicable, of chapter five hundred and ninety of the acts of the year nineteen hundred and eight and any amendments thereof shall apply to credit unions incorporated under this act.

SECTION 4. No person, partnership or association, and no corporation, except such as have heretofore been incorporated under the provisions of chapter four hundred and nineteen of the acts of the year nineteen hundred and nine and such as shall hereafter be incorporated under the provisions of this act, shall hereafter transact business under any name or title which contains the two words "credit union." The proceedings authorized and the penalties imposed under the provisions of section seventeen of chapter five hundred and ninety of the acts of the year nineteen hundred and eight and all acts in amendment thereof or in addition thereto, so far as applicable, shall apply in all cases of violation of the provisions of this section.

SECTION 5. A credit union may receive the savings of its members in payment for shares or on deposit; may lend to its members at reasonable rates, or invest, as hereinafter provided, the funds so accumulated; and may undertake such other activities relating to the purpose of the association, as its by-laws may authorize, any provisions in section one of chapter one hundred and fourteen of the Revised Laws notwithstanding.

GENERAL ACT

SECTION 6. The by-laws shall prescribe the name of the corporation, the purposes for which it is formed, the conditions of residence or occupation which qualify persons for membership, the par value of the shares of capital stock and the maximum number of shares which may be held by any one member, the conditions on which shares may be paid in, transferred and withdrawn, the conditions on which deposits may be received, and withdrawn, the method of receipting for money paid on account of shares or deposited, the number of directors and number of members of the credit committee, the duties of the several officers, the fines, if any, which shall be charged for failure to meet obligations to the corporation punctually, the date of the annual meeting of members, the manner in which members shall be notified of meetings, the number of members which shall constitute a quorum at meetings, and such other regulations as may seem necessary.

SECTION 7. No credit union shall receive deposits or payments on account of shares, or make any loans, until its by-laws have been approved in writing by the bank Commissioner, nor shall any amendments to its by-laws become operative until they have so been approved.

SECTION 8. All property of a credit union, except real estate, and all capital stock in a credit union shall be exempt from state and local taxation, except legacy and succession taxes.

SECTION 9. The capital of a credit union shall be unlimited in amount. Shares of capital stock may be subscribed for and paid in such manner as the by-laws shall prescribe, except that the par value of shares shall not exceed ten dollars.

SECTION 10. Shares may be issued and deposits received in the name of a minor, and such shares and deposits may, in the discretion of the directors, be withdrawn by such minor, or by his parent or guardian, and in either case payments made on such withdrawals

GENERAL ACT

shall be valid and shall release the said corporation from any and all liability to the minor, parent, or guardian. A minor under the age of eighteen years shall not have the right to vote. If shares are held or deposits made in trust, the name and residence of the beneficiary shall be disclosed, and the account shall be kept in the name of such holder as trustee for such person. If no other notice of the existence and terms of such trust has been given in writing to the corporation, such shares or deposits may, upon the death of the trustee, be transferred to or withdrawn by the person who was named by the trustee as the beneficiary or by his legal representatives, and such transfer or withdrawal shall release the corporation from any and all liability to any other claimant upon such stock or deposit.

SECTION 11. The capital, deposits and surplus funds of a credit union shall be invested in loans to members with the approval of the credit committee as provided in section seventeen of this act, and any capital, deposits or surplus funds in excess of the amount for which loans shall be approved by the credit committee may be deposited in savings banks or trust companies incorporated under the laws of this commonwealth, or in national banks located therein, or may be invested in the bonds of any other credit union or any farmland bank incorporated under the laws of this commonwealth or in any securities which are at the time of their purchase legal investments for savings banks in this commonwealth, or, with the approval of the bank commissioner, may be deposited in other credit unions or may be invested in the shares of other credit unions or of farmland banks or co-operative banks incorporated under the laws of this commonwealth; *provided*, that the total amount invested in the shares of other credit unions, farmland banks or co-operative banks shall not exceed thirty per cent of the capital and surplus, and that not more than twenty per cent shall be invested in the shares of other credit unions, nor more than

GENERAL ACT

twenty per cent in farmland bank shares, nor more than twenty per cent in co-operative bank shares.

SECTION 12. The fiscal year of every credit union shall end at the close of business on the last business day of October.

SECTION 13. The annual meeting of the corporation shall be held at such time and place as the by-laws prescribe, but must be held within thirty days after the close of the fiscal year. Special meetings may be called by a majority of the directors or of the supervisory committee, and shall be called by the clerk upon written application of ten or more members entitled to vote. Notice of all meetings of the corporation and of all meetings of the board of directors and of committees shall be given in the manner prescribed by the by-laws. No member shall be entitled to vote by proxy or to have more than one vote, and, after a credit union has been incorporated one year, no member thereof shall be entitled to vote until he has been a member for more than three months.

The members at each annual meeting shall fix the amount of the entrance fee for the ensuing year, which may be made proportional to the number of shares issued to a member, the maximum amount to be loaned any one member, and, upon recommendation of the board of directors, may declare dividends in accordance with the provisions of section twenty-two of this act.

At any annual or special meeting the members may review the acts of the credit committee or of the board of directors, and may reverse any decision of the credit committee or of the board of directors by a three-fourths vote of the members present and entitled to vote: *provided*, that such three-fourths vote comprises a majority of all of the members of the credit union.

In the event of the death, resignation, or removal from office of the board of directors or of any member thereof, or of the credit committee or of any member thereof, the members of the credit union at a special

GENERAL ACT

meeting, called for the purpose, may elect other members to fill the vacancies until the next annual meeting.

At any annual or special meeting the members of a credit union may amend the by-laws by a three-fourths vote of the members present and entitled to vote; *provided*, that a copy of the proposed amendment or amendments shall have been sent to each member with the notice of the meeting.

SECTION 14. The business and affairs of a credit union shall be managed by a board of not less than five directors, a credit committee of not less than three members, and a supervisory committee of three members to be elected at the annual meeting of the corporation. Unless the number of members of the credit union is less than eleven, no member of said board shall be a member of either of said committees, nor shall one person be a member of more than one committee, and all the members of said board and of said committees, as well as all officers whom they may elect, shall be sworn to the faithful performance of their duties and shall hold their several offices until others are elected and qualified in their stead. A record of every such qualification shall be filed and preserved with the records of the corporation. Members of the supervisory committee shall be elected annually for a term of one year. Directors and members of the credit committee shall be elected for a term of not less than one year nor more than three years, as the by-laws shall provide. If the term is more than one year, they shall be divided into classes, and an equal number, as nearly as may be, elected each year. If a director or a member of any of these committees ceases to be a member of the credit union, his office shall thereupon become vacant.

SECTION 15. The directors, at their first meeting after the annual meeting of the corporation, shall elect from their own number a president, a vice president, a clerk and a treasurer, who shall be the executive officers

GENERAL ACT

of the corporation, and who shall hold office until their successors shall have been elected and qualified. The offices of clerk and treasurer may be held by the same person.

The board of directors shall have the general direction of the affairs of the corporation, and shall meet as often as may be necessary. It shall be their special duty to act upon all applications for membership and upon the expulsion of members, to fix the amount of the surety bond required of any officer having custody of funds, to determine the rate of interest on loans and deposits, to fill vacancies in the board of directors until new members shall be elected and qualified, to make recommendations to the members of the credit union relative to the amount of entrance fee to be charged new members, the maximum amount to be loaned any one member, the advisability of declaring a dividend and the amount to be declared, the need of amendments to the by-laws, and any other matters upon which, in their opinion, the members should act at any annual or special meeting. When authorized so to do by the members at any annual meeting or at a special meeting called for the purpose, the board of directors, with the approval of the bank commissioner, may borrow money for the purpose of re-lending to members.

SECTION 16. The supervisory committee shall inspect from time to time the securities, cash and accounts of the corporation and shall keep fully informed of the financial condition of the corporation and shall supervise the acts of its board of directors, credit committee and officers. At any time the supervisory committee, by a unanimous vote, may suspend any officer of the corporation, or any member or members of the credit committee or of the board of directors, and, by a majority vote, may call a meeting of the shareholders to consider any violation of this act or of the by-laws, or any practice of the corporation which, in the opinion of the committee, is unsafe or unauthorized.

GENERAL ACT

Within seven days after the suspension of any officer, or any member or members of the credit committee or of the board of directors, the supervisory committee shall cause notice to be given of a special meeting of the members of the credit union to take such action relative to such suspension as may seem necessary. The supervisory committee may make temporary appointments to fill vacancies caused by the absence, illness or suspension of any officer, director, or member of any committee, and shall fill any vacancies in its own number until new members shall have been duly elected and qualified. The board of directors and the supervisory committee, acting jointly, shall make appointments to fill vacancies in the credit committee until new members of the committee shall be duly elected and qualified.

SECTION 17. The credit committee shall hold meetings, of which due notice shall be given to its members, for the purpose of considering applications for loans, and no loan shall be made unless all members of the committee who are present when the application is considered, and at least two-thirds of all the members of the committee, approve the loan and are satisfied that it promises to benefit the borrower. All applications for loans shall be made in writing and shall state the purpose for which the loan is desired and the security offered.

SECTION 18. Loans upon the security of first mortgages upon farmlands shall in no case exceed in amount fifty per cent of the value of the property pledged as security, and shall be for the following purposes only: (a) the clearing, draining or otherwise reclaiming and permanently improving agricultural lands; (b) the providing of facilities for irrigation; (c) the planting and early care of orchards; (d) the erection of silos, cold storage plants, greenhouses and permanent farm buildings; (e) the purchase of farms and farm lands for personal occupation and management; (f) the dis

GENERAL ACT

charge of existing farm mortgages; and, (g) subject to the approval of the bank commissioner, such other improvements of a permanent nature as, in the opinion of the directors, tend to develop agricultural resources. The mortgage deeds securing such loans shall contain a provision for immediate foreclosure if the money lent is applied in whole or in part to purposes not hereby authorized, or if, in the opinion of the directors, it is being spent unwisely or wastefully.

A credit union may, with the approval of the bank commissioner, by vote of its board of directors, issue, sell and trade in its own collateral trust bonds, which shall be known and described as farmland bonds and shall be secured as hereinafter provided by the deposit of first mortgage notes on farm lands and the mortgages securing the same. In case of failure of a credit union to pay the interest upon its bonds or the principal when due, the bonds shall be an underlying lien on all its assets and the bank commissioner shall forthwith take possession of the assets and wind up the affairs of the corporation. Loans on the security of first mortgages on farm lands shall be made, and bonds of credit unions secured thereby shall be issued, in accordance with the provisions of chapter two hundred and thirty-one of the General Acts of the current year relating to farmland mortgages and farmland bonds, and any acts in amendment thereof or in addition thereto, so far as applicable.

SECTION 19. No member of the board of directors or of either the credit or supervisory committee shall receive any compensation for his services as a member of the said board or of such committee, nor shall any member of the credit or supervisory committee, directly or indirectly, borrow from the corporation or become surety for any loan or advance made by it.

No member of the board of directors shall, directly or indirectly, borrow from the corporation or become surety for any loan or advance made by it, unless such

GENERAL ACT

loan or advance shall have been approved at a meeting of the members of the credit union by a majority vote of those present, and the notice of such meeting shall have stated that the question of loans to directors would be considered at such meeting.

The officers elected by the board of directors may receive such compensation as the board shall authorize.

SECTION 20. Before the payment of an annual dividend in any year, there shall be set apart as a guaranty fund twenty per cent of the net income which has accumulated during the fiscal year, except as hereinafter provided. Said fund and the investments thereof shall belong to the corporation and shall be held to meet contingencies or losses in its business. All entrance fees shall be added at once to the guaranty fund. Upon recommendation of the board of directors, the members at any annual meeting may increase, and, whenever said fund equals or exceeds the amount of capital stock actually paid in, may decrease, the proportion of profits which is required by this section to be set apart as a guaranty fund: *provided*, that, if the corporation holds stock in other credit unions or in farmland banks, the percentage of profits to be set apart as a guaranty fund shall not be decreased until the amount of the fund equals or exceeds the amount of capital stock of the corporation actually paid in and in addition thereto the amount actually paid for the shares of stock in such credit unions and farmland banks.

SECTION 21. Immediately before a meeting of the directors called to consider the recommendation of a dividend, the supervisory committee shall make a thorough audit of the receipts, disbursements, income, assets and liabilities of the corporation for the fiscal year, and shall make a full report thereon to the directors. Said report shall be read at the annual meeting and shall be filed and preserved with the records of the corporation.

GENERAL ACT

SECTION 22. At the annual meeting, a dividend may be declared from income which has been actually collected during the fiscal year next preceding and which remains after the deduction of all expenses, losses, interest on deposits, and the amount required to be set apart as a guaranty fund, or such dividend may be declared in whole or in part from undivided earnings of preceding years, not to exceed twenty per cent thereof in any one year, provided such earnings are a part of the surplus of the corporation in excess of all requirements of the guaranty fund.

Such dividends shall be paid on all fully paid shares outstanding at the close of the fiscal year, but shares which become fully paid during the year shall be entitled only to a proportional part of said dividend, calculated from the first day of the month following such payment in full. Dividends due to a member shall be paid to him in cash or credited to the account of partly paid shares for which he has subscribed.

SECTION 23. Within twenty days after the last business day of October in each year, every credit union shall make to the bank commissioner a report in such form as he may prescribe, signed by the president, treasurer and a majority of the supervisory committee, who shall certify and make oath that the report is correct according to their best knowledge and belief. Any credit union which neglects to make the said report within the time herein prescribed shall forfeit to the commonwealth five dollars for each day during which such neglect continues.

SECTION 24. The board of directors may expel from a credit union any member who has not carried out his engagements with the credit union, or who has been convicted of a criminal offence, or who neglects or refuses to comply with the provisions of this act or of the by-laws, or whose private life is a source of scandal, or who habitually neglects to pay his debts, or who shall become insolvent or bankrupt, or who shall have

GENERAL ACT

deceived the corporation or any committee thereof with regard to the use of borrowed money; but no member shall so be expelled until he has been informed in writing of the charges against him, and an opportunity has been given to him, after reasonable notice, to be heard thereon.

The amounts paid in on shares or deposited by members who have withdrawn or have been expelled shall be paid to them, in the order of withdrawal or expulsion, but only as funds therefore become available and after deducting any amounts due by such members to the credit union. Such expulsion shall not operate to relieve a member from any remaining liability to the credit union.

SECTION 25. At any meeting specially called for the purpose the members, upon recommendation of not less than two-thirds of the board of directors, may dissolve the corporation by the vote of two-thirds of the members of the credit union entitled to vote. A committee of three shall thereupon be elected to liquidate the assets of the corporation under the direction of the bank commissioner, and each share of the capital stock, according to the amount paid in thereon, shall be entitled to its proportional part of the assets in liquidation after all deposits and debts have been paid.

SECTION 26. Chapter four hundred and nineteen of the acts of the year nineteen hundred and nine and chapter four hundred and thirty-seven of the acts of the year nineteen hundred and fourteen are hereby repealed. All credit unions incorporated prior to the passage of this act shall be hereafter subject to the provisions of this act, but the provisions of this act shall not affect any rights acquired under any contract made by such credit unions prior to the passage of this act. The provisions of this act shall not be rendered inoperative or be limited or otherwise affected by any acts or parts of acts inconsistent therewith. [*Approved* May 20, 1915.]

SPECIAL ACT

(CHAP. 281)

AN ACT TO INCORPORATE THE MASSACHUSETTS CREDIT UNION ASSOCIATION.

Be it enacted, etc., as follows:

SECTION 1. Felix Vorenberg, Edward A. Filene, Abraham K. Cohen and Max Mitchell, their associates and successors, are hereby made a corporation by the name of Massachusetts Credit Union Association, to be located in Boston or in such other city or town in this commonwealth as the corporation may determine, and with the rights and powers and subject to the duties and obligations hereinafter granted or imposed.

SECTION 2. The government of said corporation shall be vested in such officers and in a board of directors to consist of such number and to be chosen in such manner as the by-laws of the corporation may prescribe. The by-laws may also prescribe the manner in which and the terms under which persons may become members of the corporation.

SECTION 3. The purposes of the corporation shall be to disseminate information in respect to the benefits of credit unions authorized by chapter two hundred and sixty-eight of the General Acts of the year nineteen hundred and fifteen and acts in amendment thereof and supplementary thereto; to organize and assist in the organization of credit unions; to make loans to credit unions at a rate not exceeding six per cent per annum and generally to promote and assist credit unions.

SECTION 4. Credit unions are hereby authorized, subject to the approval of the bank commissioner, to borrow money from the corporation hereby established.

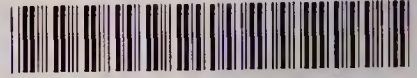
SECTION 5. The said corporation, if and whenever the by-laws so provide, may issue to its members from

SPECIAL ACT

time to time such amount as its directors may determine of capital stock in shares of not less than five dollars, par value, and at no time in the aggregate exceeding one hundred thousand dollars, payable in cash at par. The corporation may by its by-laws provide for fixing the amount of such capital stock, for the issue thereof, and for determining the rights and powers of the holders of shares.

SECTION 6. This act shall take effect upon its passage. (*Approved April 13, 1917.*)

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